Government of
Saskatchewan

Annual Report

1989-90

Saskatchewan Liquor Board

91-04200/

Letter of Transmittal

Saskatchewan
Liquor Board
Annual Report
1989-90

The Honourable Sylvia Fedoruk,
Lieutenant Governor of the
Province of Saskatchewan.

Dear Madam:

I have the honour to hereby transmit the annual report of the Saskatchewan Liquor Board for the year ending March 31, 1990.

Yours sincerely,

Patricia A. Smith

Patricia A. Smith,
Minister in Charge,
Saskatchewan Liquor Board.

Contents

Report of the Board

Chairman's Transmittal 1

Chairman/Chief Executive Officer Report 2

Organization Chart 3

Retail Operations 4

Products and Distribution 4

Finance and Information Systems 4

Corporate Services 5

Personnel 5

Licensing 5

Licensing Statistics 6

Permits 7

Operating Graphs and Statistics 12

Schedules of Purchases and Sales 16

Financial Statements

Auditor's Report 20

Balance Sheet 21

Statement of Income and Retained Earnings 22

Statement of Change in Financial Position 23

Notes to the Financial Statements 24

Cost of Sales Schedule 27

Schedule of Operating Expenses 27

Schedule of Other Income 28

A Message from The Chairman of the Board

Regina, Saskatchewan

The Honourable Patricia A. Smith,
Minister in Charge,
Saskatchewan Liquor Board.

I have the honour to submit pursuant to Section 222 of The Liquor Act the sixty-fifth annual report for the fiscal year ending March 31, 1990.

Respectfully submitted,

Ted Urness
Chairman.

Report from the Chairman and Chief Executive Officer

The fiscal year of 1989/90 was another year of significant change for the Saskatchewan Liquor Board.

On March 20, 1990, the Honourable Patricia A. Smith announced a number of initiatives intended to strengthen the viability of the hospitality and beverage alcohol industries in Saskatchewan. The following policy changes will take effect April 1, 1990, the beginning of the new fiscal year.

- The wholesale price to licensees on beer will be restructured to provide a 14% discount on all bottled and canned beer purchases. Retail prices for both on-table sales and off-sale are at the discretion of the licensee.
- The 5% surcharge applied to licensee purchases of wine and spirits will be eliminated.
- The Liquor Board will reduce its mark-ups on wine and spirits to minimize the impact of a supplier price increase on April 1, 1990.
- Commissions paid to private liquor franchises will be increased on the first $300,000 in sales.

The Minister also announced the formation of a Minister's Advisory Committee on Alcohol Policy and an ad hoc committee to review special occasion licenses. This program of new initiatives was undertaken after extensive consultation with the hotel and restaurant industry, Saskatchewan brewers, and private liquor vendors.

Consistent with an almost decade-long trend of decreasing alcohol consumption, sales were down in all beverage alcohol categories, with the exception of spirit coolers. Total sales declined 3.1% to $304 million. For the second year in a row, total value of sales did not offset the decline in sales volume, resulting in a 3.0% decrease in net income to $118.5 million.

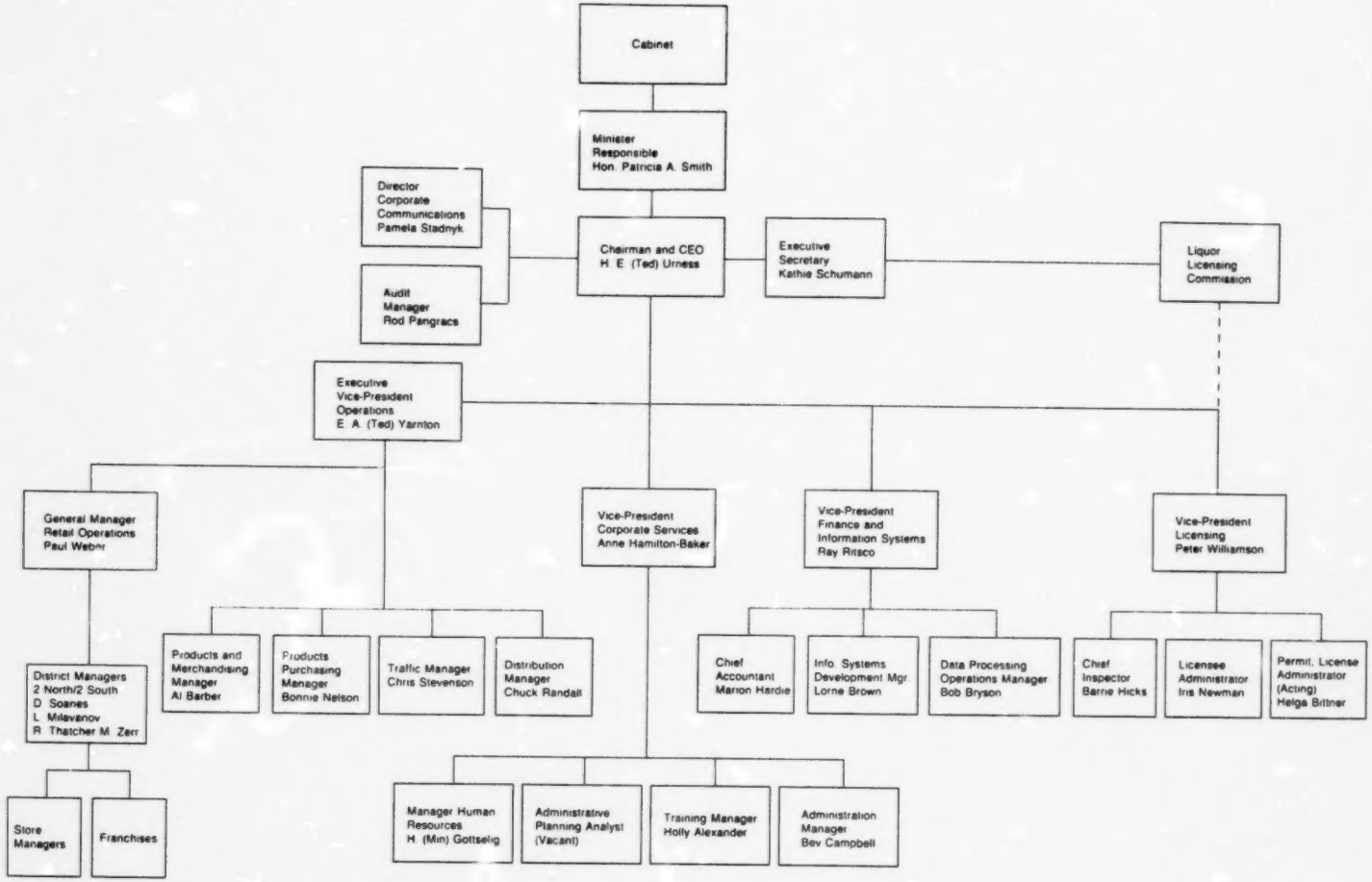
During 1989/90, 12 new franchise outlets were introduced across the province. This move is consistent with the Board's commitment to customer service and efficiency, as franchises can serve very small communities more cost-effectively than free-standing Liquor Board stores.

The Board is continuing to examine its policies with a view to complying with a settlement made on December 17, 1988 between Canada and the European Community under GATT (General Agreement on Tariffs and Trade). Changes to pricing and listing policies related to imported products are anticipated during 1990/91 to satisfy the terms of the agreement. The most significant implication is expected to be the introduction of beer from the United States into the Saskatchewan market.

In 1990/91 the Board will continue a program of streamlining operations and reducing expenditures in an effort to maintain Liquor Board income, to the degree possible, in an environment of declining consumption and increased costs.

Saskatchewan Liquor Board

Organizational Chart as at
March 31, 1990


Cabinet
Minister Responsible Hon. Patricia A. Smith
Director Corporate Communications Pamela Stadnyk
Audit Manager Rod Pangracs
Chairman and CEO H. E. (Ted) Urness
Executive Secretary Kathie Schumann
Liquor Licensing Commission
Executive Vice-President Operations E. A. (Ted) Yarnton
General Manager Retail Operations Paul Weber
Vice-President Corporate Services Anne Hamilton-Baker
Vice-President Finance and Information Systems Ray Ritsco
Vice-President Licensing Peter Williamson
District Managers 2 North/2 South D. Soanes L. Milevanov R. Thatcher M. Zerr
Products and Merchandising Manager Al Barber
Products Purchasing Manager Bonnie Nelson
Traffic Manager Chris Stevenson
Distribution Manager Chuck Randall
Chief Accountant Marion Hardie
Info. Systems Development Mgr. Lorne Brown
Data Processing Operations Manager Bob Bryson
Chief Inspector Barrie Hicks
Licensee Administrator Iris Newman
Permit, License Administrator (Acting) Helga Bittner
Store Managers
Franchises
Manager Human Resources H. (Min) Gottselig
Administrative Planning Analyst (Vacant)
Training Manager Holly Alexander
Administration Manager Bev Campbell

Retail Operations

As of March 31, 1990, the Board was operating 172 franchise agencies and 86 Board stores. Two of these stores, located in Regina and Saskatoon, cater exclusively to the licensee trade.

There are two full-line specialty stores, one located in Regina at the South Albert Street Store and the other located in Saskatoon at the 2nd Avenue Store. All specialty items are available through other stores as demand warrants.

A customer survey conducted in the fall indicated that our customers were fairly satisfied with our service levels but that our merchandising programs could still be improved. We have worked to improve this area by enhancing our execution of in-store displays and introducing an in-store tasting program. We will continue to improve this area over the next year by conducting in-house staff training seminars as well as working closely with the winery, brewery and distillery representatives. Our increased merchandising activity has improved the overall shopping environment in our stores and enabled us to continue to give a contemporary level of service to all of our customers.

In addition to our merchandising activities, we are continuing to reduce expenditures and stream-line operations wherever possible.

Products and Distribution

Spirits, wine and imported beer are distributed to Board stores and franchises from a central bonded warehouse located in Regina. Domestic beer is distributed for the Board by the Saskatchewan Brewers Association.

The central warehouse provides service to 86 stores and 172 franchises, distributing a total of 8,278 orders this past year, each order averaging 130 cases.

At year end, the Board had 1,037 general and 428 specialty listings, made available to the Board by a large contingent of Canadian and foreign suppliers. Specialty listings, with emphasis on wine, are intended to provide the general public with a more varied selection of products. A full-line display of specialty products is offered by the South Albert Street Store in Regina and the 2nd Avenue North Store in Saskatoon. Any product from the Board's global list is available to the general public and licensees upon request through Board stores and franchises.

The trend toward moderation by the consuming public continued this past year. An analysis of general sales trends shows a significant downward slide in spirit, wine, cooler and beer sales.

Total wine sales volumes fell this past year by 4%. Despite the general decline in wine sales volume, positive growth was evident in wines from Australia, United States, Portugal, Spain and Eastern Europe mainly due to price advantage.

Within the spirit market, sales volumes declined 6% with all major categories experiencing a decline.

Total cooler sales volume declined 9%. Wine-based cooler products sales volume decreased 22% however, this decline was offset by spirit based coolers performing well during the year, increasing 20%.

Beer sales volume was down 9% with canned beer representing 31% of the total beer market, down from 34% in the previous year. Light beer accounted for 26% of the total beer market, down from 27% the previous year.

Finance and Information Systems

Sales were down 3.1% to $304 million. The decline in sales was primarily due to declining volumes, which were down 8.5%. The source of sales was public sales of $188 million and licensee sales of $116 million. The revenue mix for spirits, wine and beer is consistent with the previous year.

Gross profit decreased by 2.1% to $139 million. Operating costs increased 3.6% primiarily due to increased salaries, rent and utilities, sundry

expenses, and information systems development. Operating expenses as a percentage of gross profit increased slightly to 19.7%, from 18.6% in the previous year. This resulted in a 3.0% ($3.7 million) decrease in net income to $118.5 million.

During the year the Board continued to upgrade its computerized information and processing methods. A Digital VAX 6310 minicomputer was purchased and clustered with an existing VAX 11/750. Peripheral enhancements included the installation of a Digital Dec Server 500. An IBM four node personal computer network was installed and connected to the VAX cluster system.

Corporate Services

As a result of the significant changes introduced during 1988/89 with the proclamation of the new *Alcohol Control Act*, many activities carried forward into the year with the implementation of the new Act. A number of seminars were held around the province for stores, franchises and the industry to explain the background, evolution and intent of the new Act. As part of the new thrust towards responsible consumption, the Board participated on an interprovincial committee to develop training programs aimed at managers and servers of beverage alcohol. These programs have the objective of providing managers and servers with some strategies and techniques to assist them to recognize and to prevent overconsumption of beverage alcohol in licensed outlets.

With the expiration of the collective agreements on March 26, 1988, negotiations with S.G.E.U. proceeded during 1989/90 and were successfully concluded with collective agreements signed which expire March 28, 1992. Flowing out of these negotiations and in the spirit of ongoing dialogue, a joint union-management committee was formed to discuss issues of mutual concern. The first meeting was held in February, 1990 and the committee plans to continue to meet on a quarterly basis. Another joint union-management committee began development of an Employee Assistance Program which we expect to implement in 1990/91 to cover both in-scope employees and management.

Changes to Federal legislation required the installation of a new Workplace Hazardous Materials Information System (WHMIS). Training in the use of the system was undertaken for all Board employees.

Personnel

The breakdown of the number of staff as of March 31, 1990 was:

	Permanent	Part-time
General Administration	6	—
Retail Operations	188	244
Corporate Services	14	4
Finance	21	3
Products and Merchandising	8	—
Information Systems	9	2
Distribution	15	4
Liquor Licensing	22	2
	283	*259

*equivalent — 114.

Our collective agreement expires March 28, 1992.

Licensing

During the year, the Liquor Licensing Commission held 45 sittings and conducted 168 hearings to consider applications for the various types of Licenses provided for in Section 29 of the Alcohol Control Act.

The Commission also held 45 meetings and passed minutes on 837 matters pertaining to the general conduct and operations of licensed outlets.

Three brew pubs were established in 1989/90, one in Saskatoon and two in Regina. Licensing of brew pubs was provided for in the Alcohol Control Act.

Licensing Statistics

Statement of Licenses

Type of License	Issued	Terminated/Expired and Surrendered					Licenses in Effect	
		Ownership Change	Seasonal and Interim	Close of Business	Premise Destroyed	Cancelled by Commission	March 31 1990	March 31 1989
Class B (with Off-sale Endorsement)	600 (note 1)	55	50	15	1	—	479	
Class B	269	2	38	6	—	—	223	
Class A	554	46	72	27	—	—	409	
Class A (with adjoining Premises Endorsement)	459	41	53	27	—	—	338	
Class C (brewpub)	3	—	—	—	—	—	3	
Class C (breweries)	4	1	—	—	—	—	3	
Totals	1,889	145	213	75	1	—	1,455	

Note (1) Three of the issued licenses were to brew pubs.

Suspensions:
3 Class B (with Off-sale Endorsement)
1 Class B
4 Class A (with adjoining Premises Endorsement)

Type of License	Licenses in Effect Mar. 31/89
Restaurants	30
Beverage Room	
— Hotel	478
— Restaurant	5
Dining Room	697
Cocktail Room	367
Club (liquor)	135
Canteen (liquor)	62
Northern Outfitter's	—
Total	1,774

Licensing Statistics — continued

Statement of Applications Received

Type of License	Received and Carried Over From 1988-1989	Issued	Refused	Withdrawn By Applicant	Pending March 31, 1990
Class B (with Off-sale Endorsement)	560	552	1	—	7
Class B	252	242	—	1	9
Class A	487	475	1	2	9
Class A (with adjoining Premises Endorsement)	404	397	—	1	6
Class C (Brewpub)	3	3	—	—	—
Class C (breweries)	3	3	—	—	—

Permits Issued

	1985/86	1986/87	1987/88	1988/89	1989/90
Brewers Permits	3	3	3	3	3
Brewers Hospitality Suite Permits	4	4	3	3	0
Distillers Permits	1	1	1	0	0
Permits to Druggists, Physicians, etc.:					
— Druggists' sale and compounding permits	13	8	8	8	9
— Physicians' professional use	3	6	6	8	0
— Manufacturing and Scientific purposes	28	36	38	41	25
Permits to persons engaged in business of selling church supplies					
— sacramental wine	2	3	3	2	2
Permits issued:					
Individual and Organization — Non sale of liquor	12,496	12,268	11,897	11,281	10,615
Organization — sale of liquor	18,113	18,232	17,933	17,247	16,466
Community Event	480	473	481	556	848
Annual Permits	0	0	0	0	21
Annual Licenses	0	0	0	0	135
	31,143	31,034	30,373	29,149	28,124

Franchise Outlets as at March 31, 1990

Abbey
Abernethy
Admiral
Alida
Allan
Alsask
Alvena
Arborfield
Arcola
Avonlea

Balcarres
Balgonie
Beechy
Bengough
Big River
Birch Hills
Bjorkdale
Blaine Lake
Bruno
Buchanan
Burstall

Cabri
Candle Lake
Carnduff
Central Butte
Ceylon
Chaplin
Choiceland
Churchbridge
Climax
Cochin
Coleville
Colonsay
Consul
Coronach
Craik
Crane Valley
Cudworth
Cupar
Cut Knife

Debden
Delisle
Denzil
Dinsmore
Dodsland
Domremy
Dorintosh
Duck Lake
Dundurn

Eastend
Eatonia
Edam
Elbow
Elrose
Emma Lake
Endeavour

Fillmore
Fox Valley

Gainsborough
Glaslyn
Glenavon
Golden Prairie
Goodeve
Goodsoil
Govan
Grayson
Grenfell

Hanley
Harris
Hodgeville
Holdfast

Imperial
Invermay

Kelliher
Kenaston
Kenosee Lake
Kincaid
Kinistino
Kuroki
Kyle

Lafleche
Lake Lenore
Lampman
Landis
Langham
Lashburn
Leask
Lemberg
Leoville
Leroy
Loon Lake
Lucky Lake
Lumsden
Luseland

Macklin
MacNutt
Maidstone
Mankota
Marsden
Maryfield
Mayfair
Medstead
Meskanaw
Midale
Middle Lake
Milden
Milestone
Minton
Mistatim
Montmartre
Moose Jaw C.F.B.
Morse
Mossbank

Naicam
Neudorf
Nokomis
Norquay

Ogema
Oxbow

Paddockwood
Pelly
Pense
Perdue
Pierceland
Porcupine Plain
Punnichy

Quill Lake

Rabbit Lake
Radisson
Redvers
Regina Beach
Rhein
Riverhurst
Rocanville
Rockglen
Rose Valley
Rouleau

St. Brieux
St. Louis
Saltcoats
Sedley
Shell Lake
Simmie
Simpson
Sintaluta
Southey
Spiritwood
Spy Hill
Star City
Stenen
Stockholm
Strasbourg
Sturgis

Theodore
Togo
Torquay
Tramping Lake
Turtleford

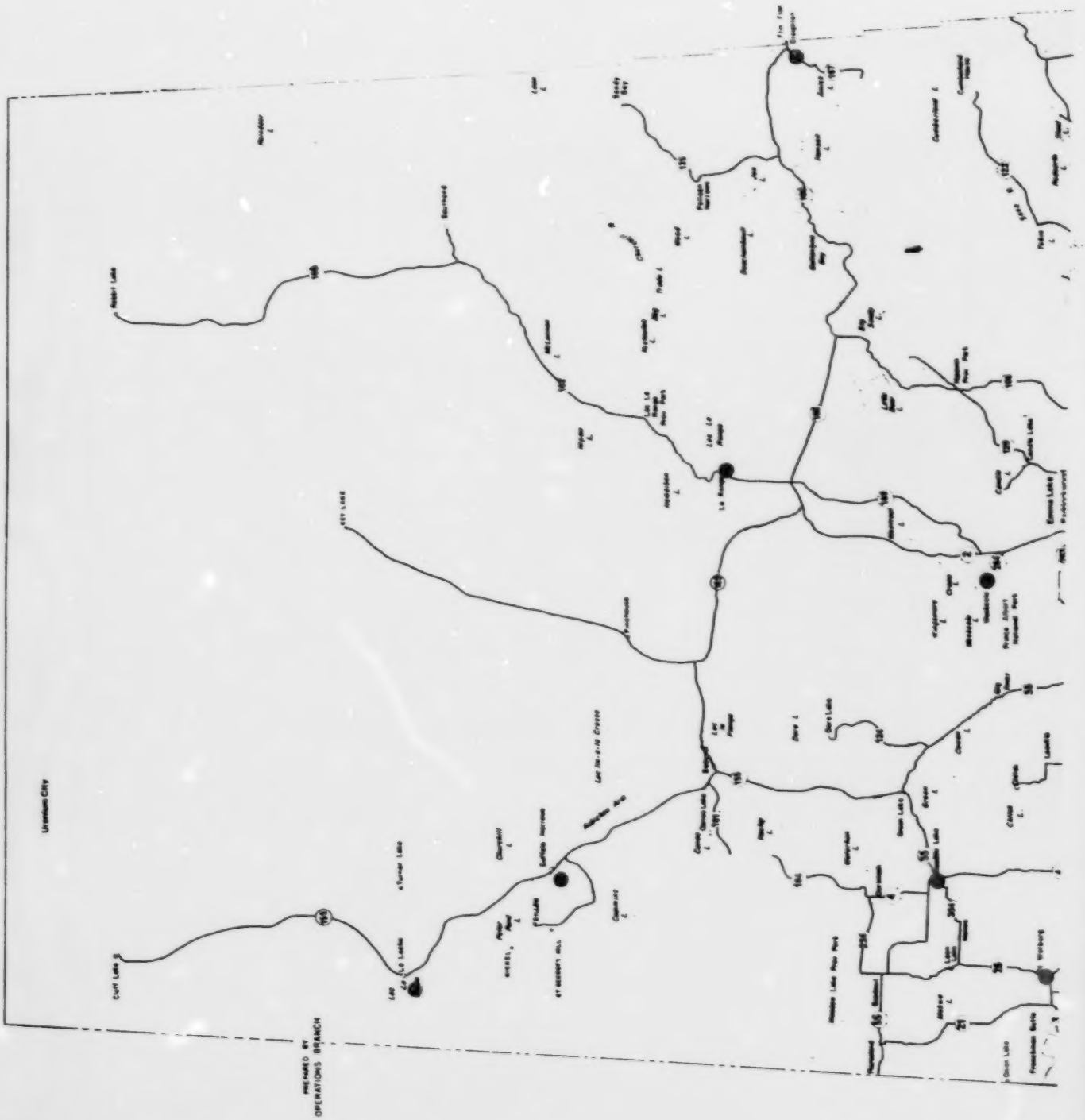
Val Marie
Vanguard
Vibank
Viscount
Vonda

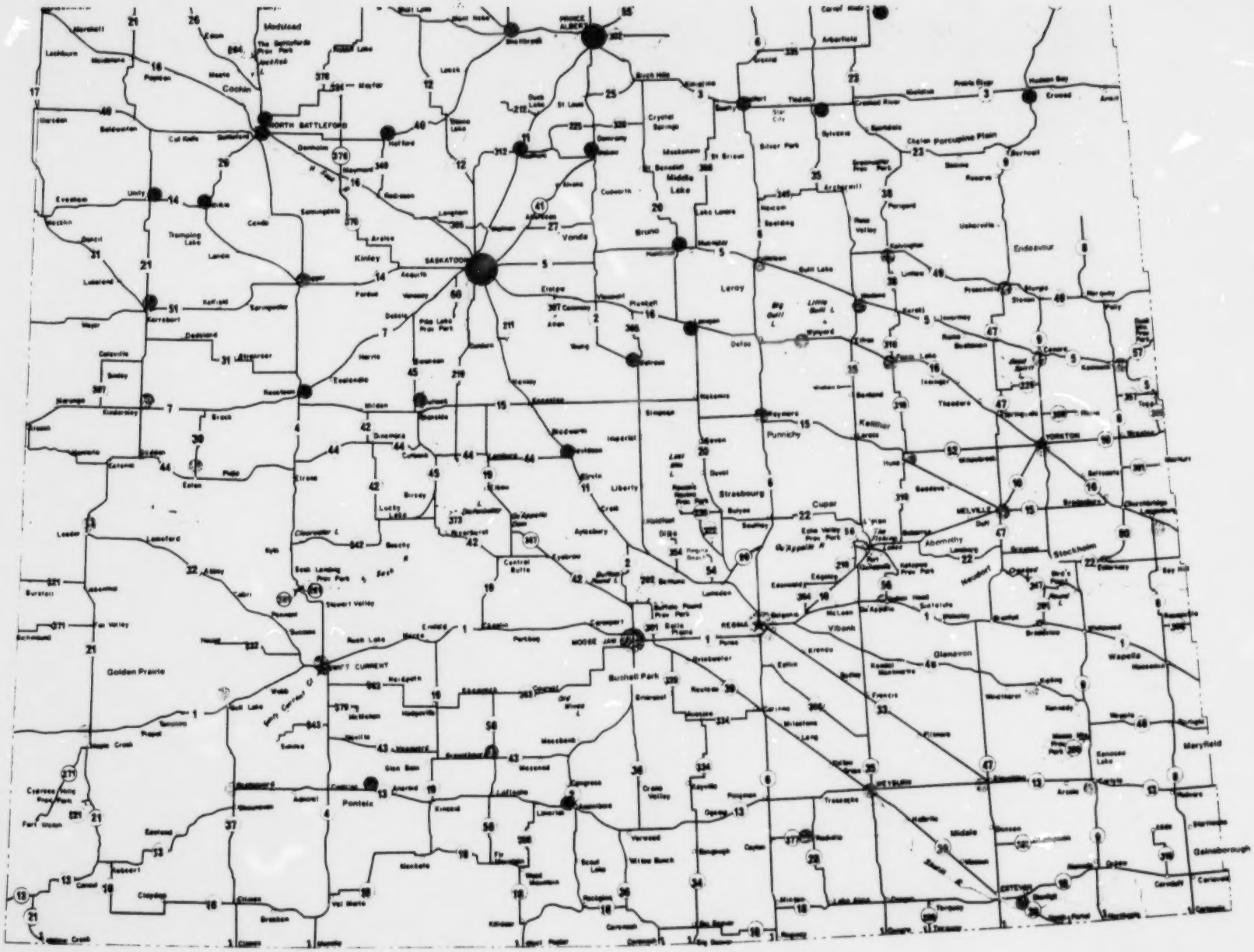
Wapella
Wawota
Weirdale
Whitewood
Willow Bunch
Wishart
Wolseley
Wroxton

Young

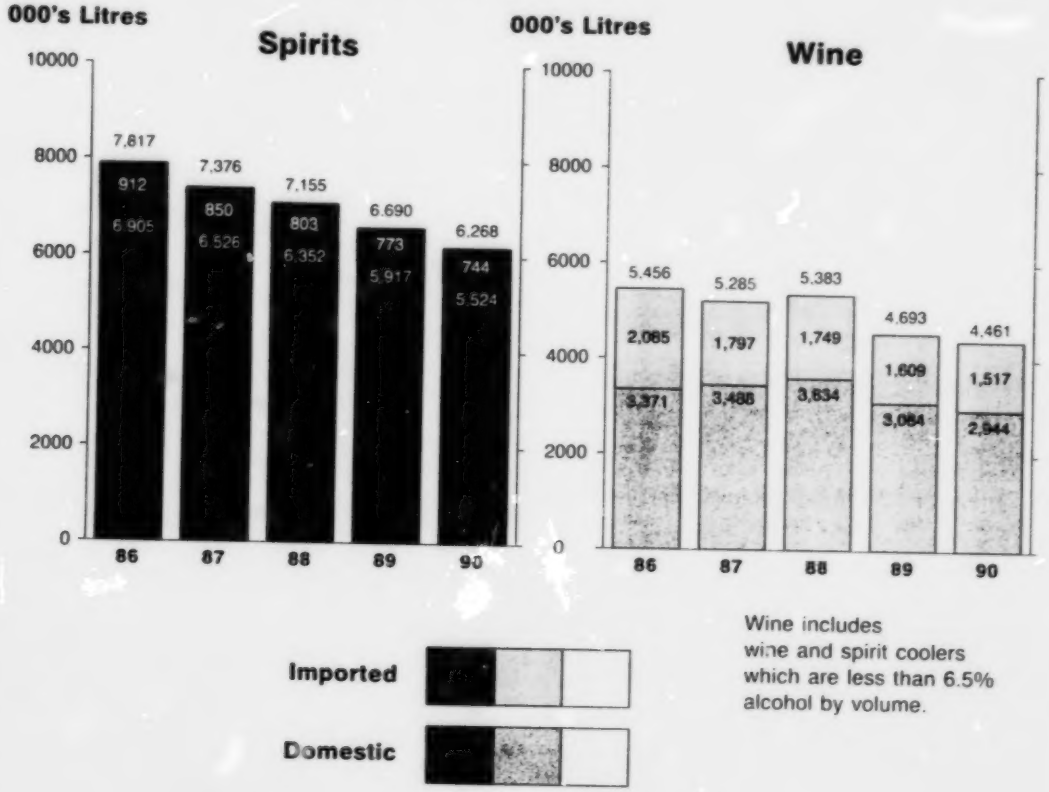
Total Number = 172

Map

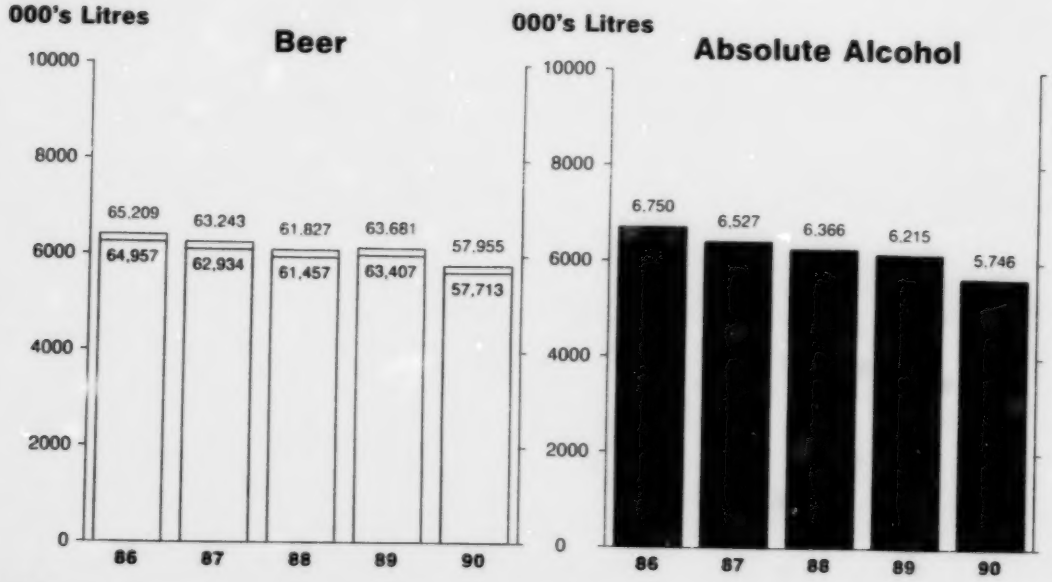



NORTH BATTLEFORD
SASKATOON
REGINA
MOOSE JAW
PRINCE ALBERT
YORKTON
MELVILLE
WEYBURN
ESTEVAN
SWIFT CURRENT
Liquor Board Stores
Franchises

Volume of Sales — 5 Year History

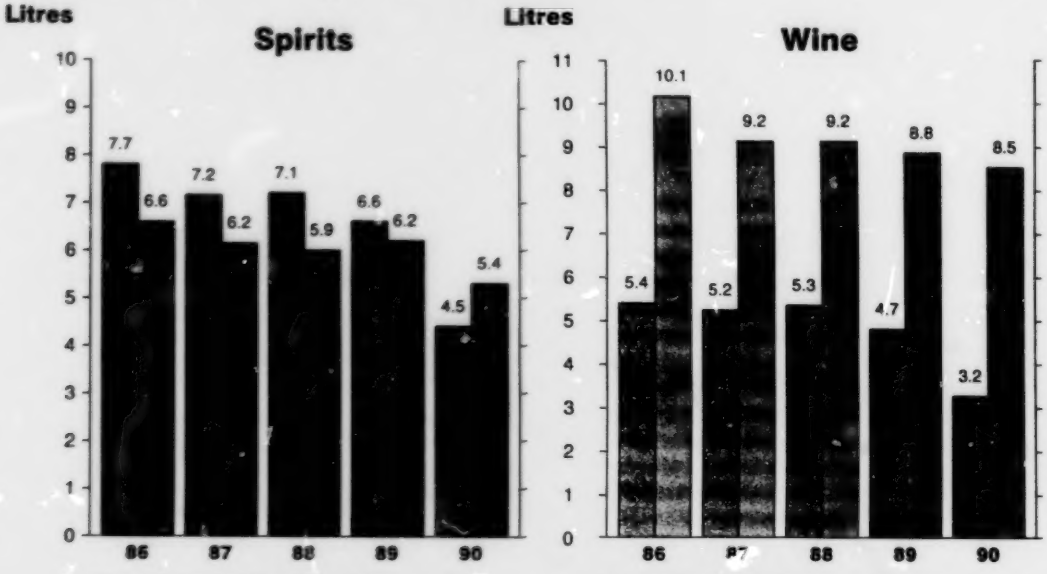


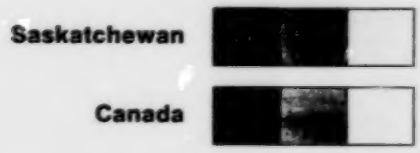
Wine includes wine and spirit coolers which are less than 6.5% alcohol by volume.



Revised 1990 Per Capita Consumption Figures for Saskatchewan are as follows:
Spirits - 6.3 Wine - 4.5
Beer - 57.9
Absolute Alcohol - 5.7

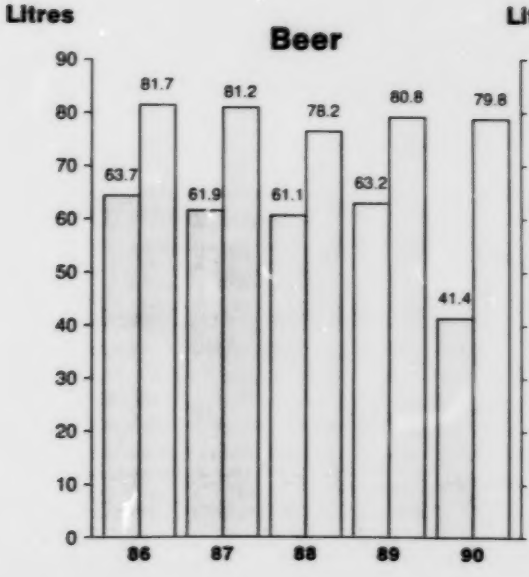
Per Capita Consumption — 5 Year History

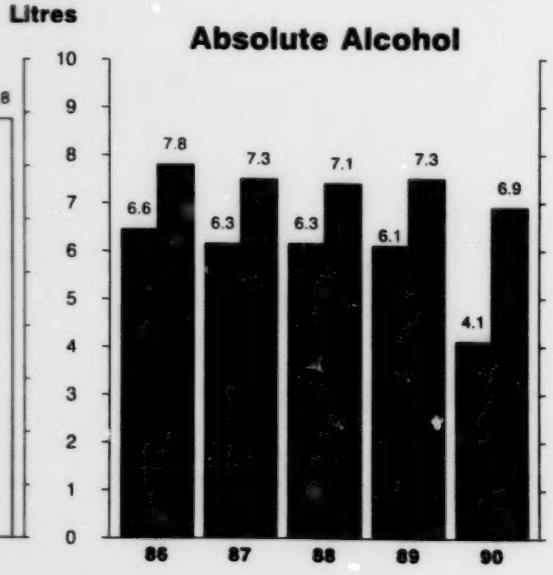




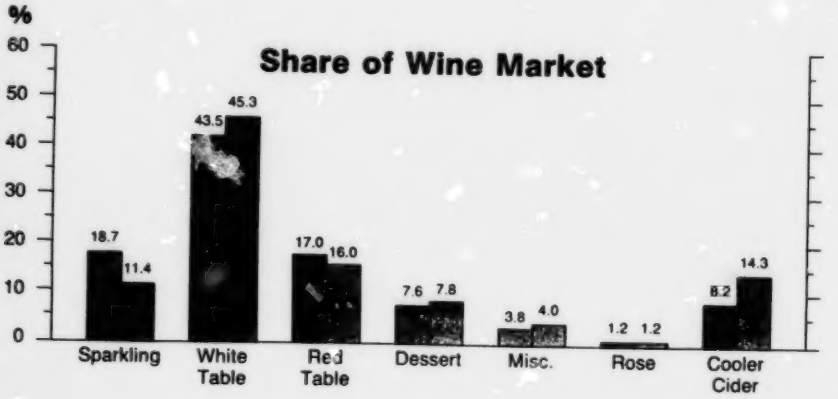
NOTES: These are actually per capita sales figures. True consumption figures are unobtainable.

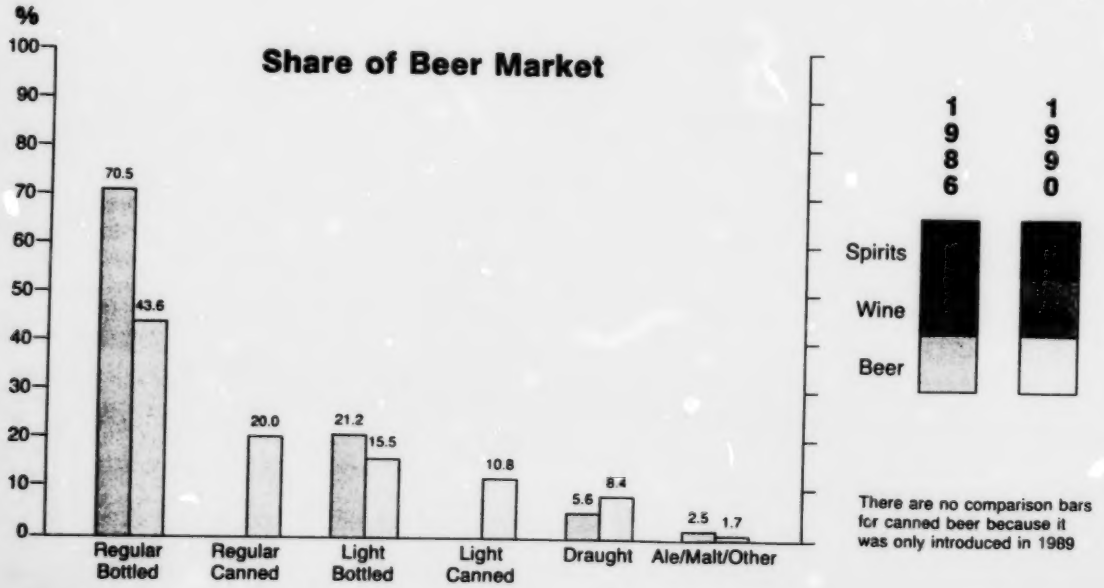
The weighted average alcohol content was used to convert spirits, wine and beer to absolute alcohol.





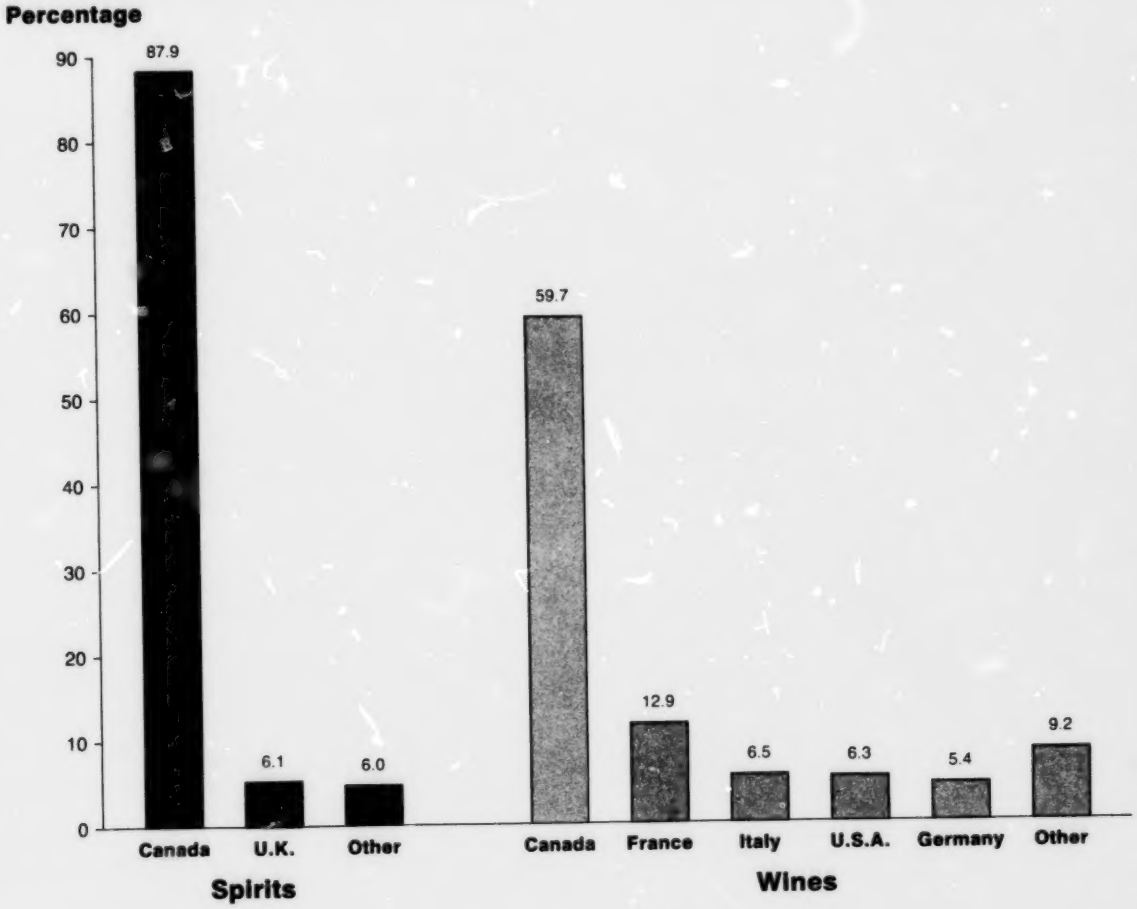
Sales Trends





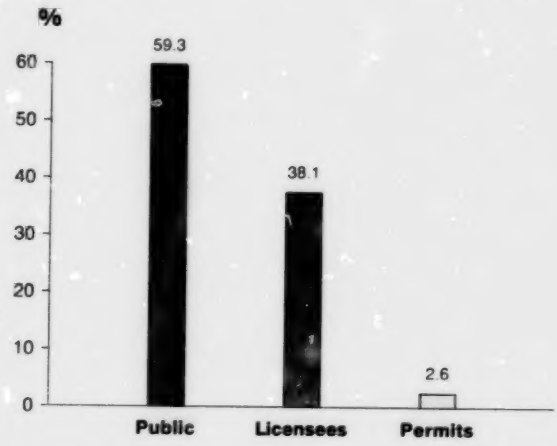
There are no comparison bars for canned beer because it was only introduced in 1989

Volume of Sales by Origin

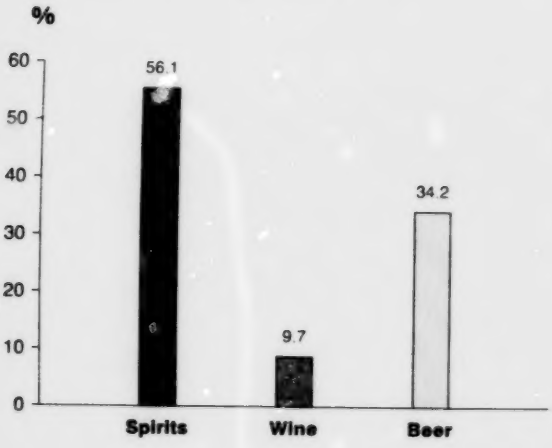


Revenue
By Type of Beverage

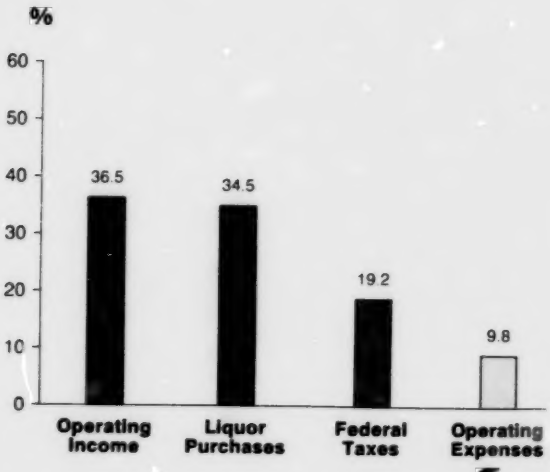
Revenue
By Type of Customer



Gross Profit
By Type of Beverage



Application of Revenue



Stores	5.3%
Overhead and Administration	2.3%
Liquor Act Enforcement	1.0%
Franchise Discount	.9%
Warehousing	.3%
	9.8%

Wines and Spirits Purchased

for the Year Ended March 31, 1990

Country	$
Canada	$24,188,675
Australia	95,109
Finland	51,054
France	1,901,644
Germany	569,770
Greece	99,122
Holland	21,774
Hungary	74,693
Ireland	460,745
Italy	676,094
Jamaica	22,089
Japan	21,653
Mexico	65,416
Poland	30,668
Portugal	119,141
Spain	101,946
Sweden	45,702
United Kingdom	1,521,640
United States	1,222,302
U.S.S.R.	49,798
Other	39,607
Total Wine and Spirits Purchased	$31,378,642

Beer Purchased

for the Year Ended March 31, 1990

Saskatchewan	
Carling O'Keefe Brewery Ltd.	$13,649,186
Labatt's Saskatchewan Brewery Ltd.	34,707,089
Molson Saskatchewan Brewery Ltd.	41,210,585
Great Western Brewing Co.	374,204
	89,941,064
Canada	5,387
Europe	144,467
Other	9,480
Total Beer Purchased	$90,100,398

NOTE: Beer purchased from Saskatchewan brewers includes Federal Sales and excise taxes and is purchased F.O.B. the retail outlet.

Schedule of Sales by Liquor Stores

for the year ended March 31, 1990

Location	Store Number	Wines & Spirits	Beer	Total
Assiniboia	519	$ 949,451	$ 280,603	$ 1,230,054
Battleford	522	798,257	322,910	1,121,167
Biggar	525	632,680	193,686	826,366
Broadview	586	287,633	131,972	419,605
Buffalo Narrows	606	364,269	386,550	750,819
Canora	536	937,759	221,229	1,158,988
Carlyle	554	601,982	259,360	861,342
Carrot River	601	387,394	180,092	567,486
Creighton	542	1,186,962	220,977	1,407,939
Davidson	555	395,498	158,667	554,165
Esterhazy	556	813,000	264,016	1,077,016
Estevan	520	1,975,996	335,914	2,311,910
Eston	602	293,064	77,215	370,279
Foam Lake	597	575,156	154,230	729,386
Fort Qu'Appelle	553	1,104,008	357,456	1,461,464
Gravelbourg	518	489,391	171,714	661,105
Gull Lake	516	310,298	84,085	394,383
Hafford	595	295,521	83,222	378,743
Hudson Bay	545	713,703	249,051	962,754
Humboldt	515	1,443,911	543,781	1,987,692
Indian Head	543	532,043	198,609	730,652
Ituna	531	435,149	83,590	518,739
Kamsack	512	838,574	250,009	1,088,583
Kelvington	541	515,129	125,363	640,492
Kerrobert	537	343,339	142,466	485,805
Kindersley	523	1,330,378	476,840	1,807,218
Kipling	528	412,781	127,509	540,290
La Loche	567	414,154	585,673	999,827
La Ronge	588	1,896,306	660,499	2,556,805
Langenburg	563	352,706	124,960	477,666
Lanigan	564	412,546	140,521	553,067
Leader	551	317,380	114,532	431,912
Lloydminster	548	625,577	115,341	740,918
Maple Creek	521	714,545	267,611	982,156
Meadow Lake	532	1,459,977	689,870	2,149,847
Melfort	524	1,311,086	458,807	1,769,893
Melville	514	1,322,123	311,254	1,633,377
Moose Jaw:				
100 Fairford St. W.	506	4,593,023	1,534,193	6,127,216
510 4th Ave. S.W.	562	1,148,420	412,203	1,560,623
Total Moose Jaw Stores		5,741,443	1,946,396	7,687,839
Moosomin	547	634,567	227,954	862,521
Nipawin	534	1,401,501	362,098	1,763,599
North Battleford	509	2,950,412	991,720	3,942,132
Outlook	576	500,092	194,896	694,988
Ponteix	579	268,381	113,247	381,628
Preeceville	605	596,121	158,214	754,335
Prince Albert:				
554 17th St. W.	507	3,244,717	839,568	4,084,285
South Hill Shopper's Mall	546	4,957,254	1,992,898	6,950,152
Total Prince Albert Stores		8,201,971	2,832,466	11,034,437

for the year ended March 31, 1990

Location	Store Number	Wines & Spirits	Beer	Total
Radville	529	211,027	85,594	296,621
Raymore	568	364,657	111,237	475,894
Regina:				
Park St. & 10th Ave. E.	500	6,826,919		6,826,919
Broadway Shopping Centre	501	2,934,929	1,044,513	3,979,442
Normanview Shopping Centre	502	2,462,909	1,122,634	3,585,543
1881 Broad Street	526	2,303,108	673,089	2,976,197
North Albert Street	550	6,868,662	3,322,561	10,191,223
South Albert Street	557	7,158,918	1,851,762	9,010,680
4239 Dewdney Ave.	560	2,860,315	1,480,448	4,340,763
1702 Park Street	569	3,072,649	1,517,621	4,590,270
188 University Park Drive	575	1,944,192	769,454	2,713,646
Total Regina Stores		36,432,601	11,782,082	48,214,683
Rosetown	544	853,629	339,862	1,193,491
Rosthern	513	396,776	179,464	576,240
Saskatoon:				
401 20th St. W.	503	1,518,690	875,558	2,394,248
1935 1st Ave. N.	504	6,260,667		6,260,667
2325 Preston Ave.	559	5,256,546	1,805,076	7,061,622
124 3rd Ave. N.	565	4,221,742	1,153,802	5,375,544
1701 Idylwyld N.	566	2,388,172	1,041,048	3,429,220
134 Primrose Dr.	570	3,695,362	1,461,791	5,157,153
Confederation Plaza	571	5,694,212	2,861,655	8,555,867
Sutherland	572	1,799,600	841,053	2,640,653
Grosvenor Park	573	3,851,105	1,347,488	5,198,593
14-2605 Broadway Avenue	574	1,026,116	459,070	1,485,186
Total Saskatoon Stores		35,712,212	11,846,541	47,558,753
Shaunavon	517	592,842	199,220	792,062
Shellbrook	600	458,672	209,105	667,777
St. Walburg	539	306,546	140,277	446,823
Stoughton	604	259,135	71,688	330,823
Swift Current	510	2,869,658	1,164,164	4,033,822
Tisdale	538	1,003,745	477,707	1,481,452
Unity	599	583,666	208,943	792,609
Wadena	558	625,474	177,022	802,496
Wakaw	540	335,109	151,682	486,791
Waskesiu (summer only)	533	325,416	204,739	530,155
Watrous	530	645,826	222,834	868,660
Watson	549	379,849	153,607	533,456
Weyburn	511	1,891,165	636,662	2,527,827
Wilkie	527	382,707	152,202	534,909
Wynyard	535	604,540	188,503	793,043
Yorkton	508	3,747,665	1,065,354	4,813,019
Special Orders		556,064	1,403	557,467
Less: Drug Discounts		−213		−213
Total		$137,622,982	$46,147,067	$183,770,049

Five Year Financial Review

(thousands of dollars)

Sales	1985/86	1986/87	1987/88	1988/89	1989/90
Spirits					
Canadian	124,997	123,588	126,554	124,416	122,148
Imported	19,445	18,690	18,551	18,173	18,254
	144,442	142,278	145,105	142,589	140,402
Wines and Ciders					
Canadian	14,295	16,310	17,564	14,374	12,940
Imported	12,392	12,956	13,168	12,323	11,830
	26,687	29,266	30,732	26,697	24,770
Beer, Ale and Stout					
Canadian	125,706	130,176	133,022	143,025	137,464
Imported	715	994	1,180	957	882
	126,421	131,170	134,202	143,982	138,346
Total Sales					
Canadian	264,998	270,074	277,140	281,815	272,552
Imported	32,552	32,640	32,899	31,453	30,966
	297,550	302,714	310,039	313,268	303,518
Cost of Sales	161,065	163,769	166,868	171,327	164,578
Gross Profit	136,485	138,945	143,171	141,941	138,940
Operating Expenses	23,836	24,023	24,100	26,414	27,367
Operating Income	112,649	114,922	119,071	115,527	111,573
Other Income	3,923	3,551	4,071	6,677	6,971
Net Income	116,572	118,473	123,142	122,204	118,544
Payment to Minister of Finance	84,000	140,000	—	194,000	135,000
Retained Earnings	149,436	127,909	251,051	180,024	163,568

Auditor's Report

To the Members of the Legislative Assembly of Saskatchewan:

We have examined the combined balance sheet of the Saskatchewan Liquor Board and Liquor Licensing Commission as at March 31, 1990 and the combined statements of income and retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these combined financial statements present fairly the combined financial position of the Board and Commission as at March 31, 1990 and the results of their operations and the changes in their financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

The comparative figures were audited by another Chartered Accountant.

Deloitte & Touche

Regina, Saskatchewan
June 29, 1990

Deloitte & Touche
Chartered Accountants

Combined Balance Sheet as at March 31

(Thousands of Dollars)

	1990	1989
Assets		
Current Assets		
Cash	$ 1,910	$ 5,112
Short term investments (Note 3)	13,889	12,556
Accounts receivable	432	235
Prepaid expenses	344	289
Inventories (Note 4)	11,915	12,993
	28,490	31,185
Deposits in Consolidated Fund (Note 7)	130,600	144,900
Fixed Assets (Note 5)	16,845	17,472
	$175,935	$193,557
Liabilities		
Current Liabilities		
Accounts payable	$ 6,457	$ 8,446
Accrued pension costs (Note 6)	5,910	5,087
	12,367	13,533
Equity		
Retained Earnings	163,568	180,024
	$175,935	$193,557

On behalf of the Board and Commission

Ted Chuese

_____, Chairman

Combined Statement of Income and Retained Earnings for the Year ended March 31

(Thousands of Dollars)

	1990	1989
Sales (Note 8)	$303,518	$313,268
Cost of Sales (Schedule 1)	164,578	171,327
Gross Profit	138,940	141,941
Operating expenses (Schedule 2)	27,367	26,414
	111,573	115,527
Other income (Schedule 3)	6,971	6,677
Net Income for the year	118,544	122,204
Retained earnings, beginning of year	180,024	251,820
	298,568	374,024
Payments to Minister of Finance (Note 7)	135,000	194,000
Retained earnings, end of year	$163,568	$180,024

Combined Statement of Changes in Financial Position for the Year Ended March 31

(Thousands of Dollars)

	1990	1989
Operating Activities		
Net income for the year	$118,544	$122,204
Add charges to operations not requiring the use of cash:		
Depreciation	1,265	1,290
Gain on sale of fixed assets	(9)	(1)
Accrued pension expense	823	876
	120,623	124,369
Net change in non-cash working capital items	(1,163)	2,589
Cash generated by operating activities	119,460	126,958
Investing Activities		
Additions to buildings, sites and equipment	(662)	(885)
Proceeds from disposal of buildings, sites and equipment	33	2
Reductions of deposits in Consolidated Fund	14,300	68,900
Cash generated by investing activities	13,671	68,017
Other Activities		
Payments to Minister of Finance (Note 7)	(135,000)	(194,000)
Cash used for other activities	(135,000)	(194,000)
Increase (Decrease) in Cash for Year	(1,869)	975
Cash, beginning of year	17,668	16,693
Cash, end of year	$ 15,799	$ 17,668

Cash comprises cash and short-term investments

Notes to Combined Financial Statements March 31, 1990

1. Board and Commission

The Saskatchewan Liquor Board and The Liquor Licensing Commission are continued under The Alcohol Control Act, with the Board and Commission consisting of not more than three members and seven members respectively appointed by the Lieutenant Governor in Council.

2. Accounting Policies

These combined financial statements have been prepared in accordance with accounting principles generally accepted in Canada. The more significant policies which have been adopted are described below.

(a) *Combined Financial Statements*

The financial results of the Board and the Commission are presented on a combined basis pursuant to Section 174 of The Alcohol Control Act.

(b) *Short Term Investment*

Short term investments are recorded on the balance sheet at cost, and the amount of accrued interest on these investments is included in accounts receivable.

(c) *Sales*

Sales are reflected in the accounts net of returns and the Provincial Liquor Consumption Tax. During the year, the Board collected and remitted to Saskatchewan Finance Liquor Consumption Tax in the amount of $16,276,536 (1989 — $16,855,899). Beer sales and cost of sales are stated net of container deposits. During the year, container deposits amounted to $15,606,409 (1989 — $17,061,447).

(d) *Inventories*

Inventories of wines, spirits and beer are valued at the lower of cost and net realizable value.

(e) *Fixed Assets*

Buildings, sites and equipment are stated at cost less accumulated depreciation. Depreciation is calculated on the straight-line basis at rates designed to amortize the cost of fixed assets over their estimated useful lives. Depreciation rates are as follows:

Buildings — 2.5% - 5%
Equipment — 15% - 33%

Leasehold improvements are amortized over the term of the lease.

(f) *Pension Costs*

The cost of pension benefits earned by employees who are members of the Board's defined benefit plan known as the Liquor Board Superannuation Plan is determined using the accrued benefit method prorated on the basis of term of service and is charged in the accounts as an expense as the service is rendered. The amount of the expense reflects management's best estimate of the plan's expected investment yields, salary increases, mortality of members, terminations and the ages at which members will retire.

Based upon the most recent actuarial valuation of the plan, adjustments arising from plan amendments, experience gains and losses and changes in assumptions are amortized over the estimated average remaining service lives of the employees who are members of the defined benefit plan. The difference between the amounts expensed and the amounts provided for funding is reflected as a liability on the balance sheet.

3. Short Term Investments

Investments at March 31, 1990 consisted of 90 day bankers acceptances.

4. Inventories

Inventories at March 31 consisted of the following:

	(Thousands of Dollars)	
	1990	**1989**
Wines and spirits in stores	$ 5,771	$ 5,962
Wines and spirits in warehouse	5,186	5,958
Beer in stores	958	1,073
	$11,915	$12,993

5. Fixed Assets

Fixed assets at March 31 consisted of the following:

	(Thousands of Dollars) 1990			1989
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Sites	$ 2,086	$ —	$ 2,086	$ 2,101
Buildings	17,886	4,767	13,119	13,568
Furniture and equipment	5,129	3,972	1,157	1,244
Leasehold improvements	1,441	958	483	559
	$26,542	$9,697	$16,845	$17,472

6. Pension Plan

The Board and Commission maintains pension plans which provide retirement benefits for essentially all employees.

A defined benefit plan is administered by The Liquor Board Superannuation Commission to provide superannuation allowances to those employees and board members who were enrolled on October 1, 1977 and who did not elect to transfer to the Public Employees (Government Contributory) Superannuation Plan prior to October 1, 1978. This latter plan is a defined contribution plan, its funding requirements are established in accordance with the Superannuation (Supplementary Provisions) Act and employees' contributions are matched by the Board.

The defined benefit plan provides for superannuation allowances which are based on employees' years of service and their highest five years' earnings. The plan requires contributions from both employees and the Board. The Board's contribution rate of 571 percent of employee contributions is based on the latest actuarial valuation of the plan as at December 31, 1986 which reported an unfunded liability of $13,300,000, consisting of the actuarial present value of accrued benefits in the amount of $24,900,000 less the value of superannuation fund assets of $11,600,000.

The Board and Commission are providing for the unfunded liability by accruing as an expense an amount which is in excess of that which has been funded. The accumulated accrual as at March 31, 1990 in the amount of $5,910,000 (1989 — $5,087,000) was determined as follows:

	(Thousands of Dollars) 1990	1989
Pension Expense:		
Current service	$ 96	$ 96
Amortization of unfunded liability	1,728	1,782
Total expense	1,824	1,878
Amount funded	1,001	1,002
Excess of expense for the year	823	876
Accrual at beginning of year	5,087	4,211
Accrual at end of year	$5,910	$5,087

7. Deposits in Consolidated Fund

Deposits in Consolidated Fund consist of amounts advanced to the Consolidated Fund of the Province pursuant to Section 175(5) of The Alcohol Control Act. These amounts, which are non-interest bearing, are deposited to the credit of the Board in the Consolidated Fund until Treasury Board directs that they be transferred to the Province pursuant to Section 175(1).

Deposits in Consolidated Fund at March 31 comprised the following:

	(Thousands of Dollars)	
	1990	**1989**
Balance at beginning of year	$144,900	$213,800
Deposits during the year pursuant to Section 175(5)	120,700	125,100
Payments to Minister of Finance pursuant to Section 175(1)	(135,000)	(194,000)
Balance at end of year	$130,600	$144,900

8. Sales

Sales comprise the following:

	(Thousands of Dollars)	
	1990	**1989**
Wines and Spirits		
— in stores:		
— to licensees	$ 20,764	$ 21,377
— to public	116,859	119,702
	137,623	141,079
— to franchises:		
— to licensees	$ 6,175	$ 7,296
— to public	22,256	21,868
	28,431	29,164
	166,054	170,243
Beer		
— to licensees	$ 88,798	$ 91,560
— in stores	46,147	49,061
— to franchises	2,519	2,404
	137,464	143,025
	$303,518	$313,268

9. Enforcement Expenses

Treasury Board authorizes the Board to pay certain amounts in each fiscal year relative to the enforcement of The Alcohol Control Act. During the year ended March 31, the following enforcement expenses were paid:

	(Thousands of Dollars)	
	1990	**1989**
Department of Urban Affairs	$1,000	$1,000
Department of Justice	2,233	2,235
	$3,233	$3,235

10. Related Parties

Included in these financial statements are expenses resulting from routine operating transactions conducted at prevailing market prices with various Saskatchewan crown controlled departments, agencies and corporations with which the Board is related.

Account balances resulting from these transactions are included in the balance sheet and are settled on normal trade terms. Other amounts due to or from related parties and the terms of settlement are described separately in the financial statements.

Schedules

Schedule 1 — Combined Cost of Sales for the Year Ended March 31

(Thousands of Dollars)

	1990	1989
Inventory, beginning of year	$ 12,993	$ 13,719
Net purchases	121,107	126,518
Freight	3,768	3,860
Duty and excise tax	38,625	40,223
	176,493	184,320
Less inventory, end of year	11,915	12,993
	$164,578	$171,327

Schedule 2 — Combined Schedule of Operating Expenses for the Year Ended March 31

(Thousands of Dollars)

	1990	1989
Audit fees	$ 38	$ 52
Bank service charges	159	119
Breakages	106	123
Building operation	282	304
Communications	418	350
Customer service programs	96	41
Data processing	362	245
Depreciation on buildings	580	569
Enforcement expense (Note 9)	3,233	3,235
Equipment maintenance and depreciation	1,065	1,017
Grants in lieu of taxes	961	925
Insurance	75	86
New Act Implementation	38	258
Pension	2,105	2,141
Rent and utilities	2,296	1,971
Salaries, wages and fringe benefits	13,794	13,546
Stationery and supplies	627	571
Sundry	735	520
Travel and vehicle	397	341
	$27,367	$26,414

Schedule 3 — Combined Schedule of Other Income for the Year Ended March 31
(Thousands of Dollars)

	1990	1989
Interest	$3,586	$3,196
License and surcharge	1,405	1,459
License and other fees	514	492
Permit	598	598
Sundry	868	932
	$6,971	$6,677